

The complaint

Miss M is unhappy that Monzo Bank Ltd reported adverse information to her credit file.

What happened

Miss M made three payments totaling £402.50 which she later reported to Monzo as a scam. The largest of these payments was £302.50. When Miss M reported this payment to Monzo, they incorrectly raised a chargeback claim to try to recover that amount for Miss M.

As part of the chargeback claim process, Monzo placed a temporary credit of £302.50 into Miss M's account. This temporary credit would be withdrawn on the resolution of the chargeback claim, so that Miss M wasn't without her £302.50 while the claim was ongoing.

When the chargeback claim was declined, and when Monzo realised that the claim should never have been raised, Monzo explained to Miss M that because the claim hadn't been successful, they would be withdrawing the temporary credit of £302.50 from her account.

At the same time, Monzo also explained to Miss M that the withdrawal of the temporary credit would leave her account in an unauthorised overdrawn position. And that because of this, Monzo would delay taking the temporary credit from Miss M's account for fourteen days – to allow Miss M time to place the necessary amount of money into her account to avoid it going overdrawn when the temporary credit was removed.

Fourteen days later, Monzo removed the temporary credit from Miss M's account as they'd said that they would. But Miss M hadn't deposited money into the account to ensure that the account didn't go overdrawn.

This meant the removal of the temporary credit put Miss M's account into an unauthorised overdrawn position. And because Miss M's account remained in an unauthorised overdrawn position for over a month, Monzo reported Miss M's account as being in unauthorised arrears to her credit file. Miss M wasn't happy about this, so she raised a complaint.

Monzo responded to Miss M but didn't feel they'd done anything wrong in how they'd administered her account, including in how they'd reported the status of her account to the credit reference agencies. Miss M wasn't satisfied with Monzo's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Monzo had acted unfairly in how they'd managed the situation and so they didn't uphold the complaint. Miss M remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I issued a provisional decision on this complaint on 25 July 2024 as follows:

Somewhat confusingly, Miss M's complaint about her claim for a reimbursement of the £402.50 which she reported to Monzo as a scam has been dealt with by Monzo separately to this complaint – which is about the adverse reporting that Miss M incurred on her credit file as a direct result of Monzo's handling of her other complaint.

It's my understanding that Monzo paid £200 to Miss M on her other complaint as compensation for their delays in investigating and responding to that complaint. But it's also my understanding that Monzo made a further payment to Miss M on that other complaint, and that this further payment also included 8% interest payable for the time that Miss M hadn't had access to the amount of money involved.

Monzo have said that this further payment was a goodwill gesture and wasn't an admission of wrongdoing. But I feel that the payment of 8% interest on that payment is important, because such an interest payment would only be made if Monzo accepted that Miss M shouldn't have been without the money in question and felt the need to reimburse her for loss-of-interest-opportunity at the accepted statutory rate, which is 8%.

Accordingly, I feel that by making this payment to Miss M, Monzo have tacitly admitted that they shouldn't have deprived Miss M of money as they did. And I feel that it follows that if Monzo hadn't deprived Miss M of that money, that Miss M's account wouldn't have fallen into arrears and that Miss M wouldn't then have incurred any adverse reporting on her credit file. As such, I'll be provisionally upholding this complaint and instructing Monzo to remove the adverse reporting in question here from Miss M's credit file.

However, I won't be issuing any further instructions to Monzo, such as a compensation payment to Miss M. This is because I feel that Monzo did clearly explain and give two weeks' notice to Miss M that they would be removing the temporary credit from her account. And I feel that Miss M could and reasonably should have mitigated against what happened here by crediting the necessary amount into her account before the temporary credit was withdrawn to avoid her balance becoming overdrawn.

Monzo didn't respond to my provisional decision. Miss M did respond but reiterated information which I'd already considered when I arrived at my provisional decision, and which I can confirm doesn't give me cause to reassess my position at this time.

As such, I see no reason not to issue a final decision here whereby I uphold this complaint in Miss M's favour on the basis explained above. And I therefore confirm that my final decision is that I do uphold this complaint on that basis accordingly.

Putting things right

Monzo must remove the adverse reporting about which Miss M complains from Miss M's credit file.

My final decision

My final decision is that I uphold this complaint against Monzo Bank Ltd on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 24 September 2024.

Paul Cooper
Ombudsman